



STATE OF CALIFORNIA

BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

NEWS RELEASE

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Arnold Schwarzenegger, Governor

William P. Wood, Commissioner

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CONTACT: Kam Coveyou
916-327-6696

Department of Corporations Promotes Efficient Compliance for Business

Amendments Remove Potential Fiscal Burden to California Small Businesses

Sacramento, February 13, 2004 --- The California Department of Corporations today announced the emergency adoption of regulations to maintain the maximum filing fee of \$150 for certain filers of the Limited Offering Exemption Notice (LOEN) of securities transactions under the Corporate Securities Law of 1968. The rule changes were adopted as an emergency order and are effective from January 16, 2004, to May 15, 2004. LOEN filings are frequently used by small businesses raising capital in California.

California's securities laws require LOENs to be filed within 15 calendar days after the first sale together with a lower filing fee of up to \$150, or filed within 15 business days after the Commissioner's demand for a LOEN filing together with an alternative fee of up to \$2,500. Recent legislation, AB 1031 (Chapter 473, Statutes of 2003) effective January 1, 2004, also requires LOENs to be filed within 15 business days of discovery of the failure to file a LOEN together with the higher maximum fee of up to \$2,500. AB 1031 was intended to promote timely LOEN filings. The Department's revised rule helps achieve the goal of timely filings by maintaining the existing fee of to \$150 (rather than the higher maximum fee of \$2,500) for filers who do not intentionally disregard the filing requirements. This new rule (Section 260.102.14 of Title 10, California Code of Regulations) is available at the Department's Web site, below.

The Department's rulemaking is consistent with the new law's intent to encourage timely filings, without imposing higher fees on law-abiding businesses including small businesses. Accepting a filing fee far in excess of the current \$150 maximum results in an additional and unexpected burden to compliant businesses in this state.

This new rule avoids a potential chilling impact on the willingness of capital-raising businesses to file these notices as required by law. The higher alternative fee of up to \$2,500 will continue

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to apply to those filers who “intentionally disregard” the filing requirements and to those who file upon the Commissioner’s demand, as specified by law.

The Department of Corporations is California's Investment and Financing Authority, reporting to the Business, Transportation and Housing Agency and the Governor. The Department is responsible for the regulation, enforcement and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending and residential mortgage lending. For further information or to obtain a complaint form, see the Department's Web site at www.corp.ca.gov or call 1-866-ASK-CORP (1-866-275-2677).

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